



THE CITY OF SAN DIEGO  
**MANAGER'S REPORT**

DATE ISSUED: October 4, 2004 REPORT NO. 04-219

ATTENTION: Public Safety and Neighborhood Services Committee  
Agenda of October 6, 2004

SUBJECT: Extension of Emergency Medical Services (EMS) Agreements

REFERENCE: City Manager's Report 04-153, dated July 9, 2004

**SUMMARY**

Issues - 1) Should the Public Safety and Neighborhood Services Committee approve the continuation of paramedic services provided by San Diego Medical Services Enterprise, L.L.C. by formally extending an offer of extension to the current Emergency Medical Services agreements?

2) Should the Public Safety and Neighborhood Services Committee direct the City Manager to finalize contract language to extend the Emergency Medical Services agreements associated with the provision of paramedic services and forward to the City Council for approval?

Manager's Recommendation - Approve the continuation of paramedic services provided by San Diego Medical Services Enterprise, L.L.C. by formally extending an offer of extension to the current Emergency Medical Services agreements. Direct the City Manager to finalize contract language to extend the Emergency Medical Services agreements associated with the provision of paramedic services and forward to the City Council for approval.

Physicians Oversight Board Recommendation – Extend the Emergency Medical Services agreements to continue services currently provided by San Diego Medical Services Enterprise, L.L.C.

Emergency Medical Services Oversight Board Recommendation – Extend the Emergency Medical Services agreements to continue services currently provided by San Diego Medical Services Enterprise, L.L.C.

Other Recommendations – Fire Fighters Local 145 who participated in these discussions, endorses this recommendation.

Fiscal Impact – None with this action. The City Manager will provide the fiscal impact when the agreement extensions are forwarded to the City Council for approval. This report contains best estimates of the fiscal impact to the City for continuing the partnership with SDMSE for EMS transportation services.

## BACKGROUND

In 1996, the City Council directed the redesign of the City's Emergency Medical Services (EMS) System. The direction of the City Council was to design an EMS system which had three guiding principles: 1) maintain appropriate clinical quality, 2) deliver services in a cost-effective manner, and 3) assure that the changes recommended were implementable. This redesign project resulted in a system which was configured to provide optimal EMS service to citizens while establishing fiscal viability. The EMS system design envisioned paramedic first responder fire engines and ambulances staffed with one paramedic and one emergency medical technician (EMT) working together to provide rapid service delivery, and a tiered dispatch system to maximize resources while partnering with managed care organizations.

The City of San Diego conducted a procurement process and awarded the medical transportation component to a bid submitted jointly by the San Diego Fire-Rescue Department and Rural/Metro Corporation. San Diego Medical Services Enterprise (SDMSE), a limited liability company was created between the City of San Diego and Rural/Metro of San Diego, Inc. There are four specific components of the EMS system now in place: 1) the dispatch center, operated by the Fire Department, where 9-1-1 calls are received and dispatch occurs; 2) the EMS medical transportation component provided by SDMSE through four paramedic agreements (LLC Agreement, EMS Agreement, City Agreement and Rural Agreement); 3) the paramedic first responder component provided by San Diego Fire-Rescue engines, and 4) the medical oversight component through the agreement with the University of California, San Diego (UCSD) Medical Center for medical direction and oversight provided by Dr. James V. Dunford.

The regulatory oversight of paramedic services throughout the County of San Diego is the responsibility of the County of San Diego, EMS Division. The County grants authority to the City to provide EMT-Paramedic services within the boundaries of the City through an agreement between the City and County of San Diego. The City/County EMS Agreement mandates the appointment of an individual to serve as liaison between the various agencies operating within the service area and to provide independent oversight of the EMS system. The administration and oversight of the Agreements with

SDMSE, SDFD and the County are the responsibility of the EMS Program Manager, who is organizationally located in Financial and Management Services.

## DISCUSSION

The current EMS Agreement term is from July 1, 2002 through June 30, 2005 and includes a provision to extend the term for three additional years to June 30, 2008. The EMS Agreement (§ 2.2) requires that "Each offer of extension shall be made to SDMSE by the City at least nine (9) months prior to the scheduled end of the term". On September 16, 2004 the City and SDMSE agreed to extend by thirty (30) days the time period by which the City is permitted to offer a contract extension to SDMSE. Under the terms of this agreement, an offer of extension must be made to SDMSE by the City no later than October 30, 2004.

The initial term of the EMS agreements was five years, commencing on July 1, 1997 and terminating on June 30, 2002. The original agreements provided for two additional three year renewals. On July 1, 2002 the agreements were extended for a period of three years, terminating on June 30, 2005. This will be the third and final renewal through June 30, 2008. At that time, a competitive RFP process will be required.

The current EMS system has been reviewed by the EMS Oversight Board and the Physicians Oversight Board as required by the EMS Agreement (§ 2.2). The continuation of the services provided by SDMSE is recommended by both groups.

On July 14, 2004 the PS&NS Committee approved the City Manager's recommendation to continue paramedic services provided by San Diego Medical Services Enterprise, LLC and, directed the City Manager to negotiate extensions to the Emergency Medical Services agreements associated with the provision of paramedic services.

Negotiations have proceeded with representatives from the City Manager's Office, San Diego Fire-Rescue Department (SDFD), Rural/Metro Corporation, SDMSE, Fire Fighters Local 145 (Local 145), the Municipal Employees Association (MEA), and the City Attorney's Office.

All parties in the negotiations were invited to identify issues for discussion. The negotiation sessions have resulted in consensus that the agreements should be extended under the following general changes to the existing terms and conditions:

- **TERM**

**Current** – Three year term beginning July 1, 2002 and ending June 30, 2005.

**Proposed** - All agreements will be extended for a period of three years ending June 30, 2008.

- **SUBSIDY**

**Current** – Annual City subsidy in the amount of \$650,000.

**Proposed** – The City's annual subsidy of \$650,000 will be reduced by an amount equal to 50% of the overall savings achieved through changes to the SDMSE insurance program.

**Rationale** - Changes to the SDMSE insurance program (see below) will generate savings to both the City and SDMSE. City savings will be reflected in a reduction of the annual subsidy. SDMSE savings will be retained within the SDMSE System.

- **INSURANCE**

**Current** – SDMSE is responsible for obtaining and providing proof of insurance to the City.

**Proposed**

- City will purchase on behalf of SDMSE primary automobile, general and professional liability, and property damage coverage.
- SDMSE will be financially responsible for the cost of the insurance.
- Coverage limits for automobile and professional and general liability will be \$2.0 M per occurrence and \$4.0 M aggregate, with a \$250K self insurance retention (SIR) per occurrence. All payments for loss, expense or claims administration less than \$250K for each claim will be the sole responsibility of SDMSE.
- The City will amend the EMS contracts to indemnify the EMS/MTS services provided by SDMSE so that SDMSE's automobile, professional and general liability exposures in excess of \$2M can be covered under the City's excess coverage from \$2.0 - \$50M through its risk pool. This liability coverage is provided through the California Public Entity Insurance Authority (CPEIA). The property coverage is provided through the California State Association of Counties –Excess Insurance Authority (CSAC-EIA). CSAC-EIA is a joint powers authority authorized by statute to purchase insurance for a risk pool consisting primarily of member California counties. CPEIA is a sister joint powers authority created to meet the needs of member cities and select public entities. Together, they constitute one of the largest of the estimated 150 joint powers insurance pools in the state. A member since 1995, the City of San Diego purchases its property, earthquake and excess liability insurance through CSAC-EIA/CPEIA at substantial savings due to the joint purchasing power of the JPA.
- Any liability loss in excess of \$50M is the sole responsibility of SDMSE.
- There will be a \$10,000 deductible for first party property damage under CSAC.

- Any savings achieved in FY 05 that would otherwise be returned to the City will be utilized for the acquisition of Mobile Data Computers (MDC's) for Basic Life Support (BLS) ambulances and to help fund, improvements to the parking site located at Aero Drive and Interstate 15. A funding schedule will be agreed upon by the parties after the actual amount of FY 05 savings has been determined.
- City will provide certificates of insurance necessary to satisfy all of SDMSE's contractual requirements.
- SDMSE will be solely responsible for insurance claims administration for amounts within the \$250K SIR. Any claims with the potential to exceed the SIR will be monitored by the EMS Program Manager with the assistance of the Risk Management Department. The Risk Management department will coordinate reporting of claims with exposures in excess of \$2M to CSAC-EIA/CPEIA.
- Amount of insurance savings will be set based on the savings generated in the first year of the insurance.
- If in any year the aggregate SIR loss exceeds \$500,000: 1) an "excess loss" will be calculated by subtracting \$500,000 from the aggregated SIR loss for that year; 2) the City, in the subsequent year to the excess SIR loss, will make an additional payment equal to one-half of the excess aggregate SIR loss. However, in no case will the additional payment exceed the difference between the City's subsidy for that year and \$650,000.
- If the City's cost of insurance (which is passed on to SDMSE) increases by more than 10% for any year, the parties agree to meet and bargain in good faith regarding the insurance provisions.

**NOTE:**

The City is awaiting final cost figures. As a result, savings will be determined upon receipt of the final insurance pricing.

If no insurance savings are identified, if necessary insurance coverage is not available, or if the proposed insurance program is not acceptable to either SDMSE or the City, the current insurance requirements, indemnification agreement and city subsidy will remain as stated in the current agreements. In addition, any provisions in this report tied to the use of insurance savings will be negated.

**Rationale -** SDMSE's cost of contractually mandated insurance coverage has dramatically increased in recent years due primarily to the state of the medical/professional insurance marketplace.

As a public entity, the City is able to attain more favorable insurance rates through its membership in CSAC-EIA/CPEIA, joint powers authorities created for this purpose. In addition, by modifying the current contract language whereby the City agrees to indemnify SDMSE, SDMSE will have

access to certain lines of coverage under the City's excess insurance risk pool, which will result in substantial premium savings. Although the City agrees to indemnify SDMSE, the design of the insurance program is such that it does not expose the City to additional uninsured risk.

- **MEDICARE / MEDI-CAL REIMBURSEMENT OFFSET**

**Current** – The City pays SDMSE an additional subsidy at the end of each fiscal year which is based on a retrospective analysis of the actual impacts resulting from the implementation of the Medicare fee schedule. There is no cap on the amount of the subsidy. In Fiscal Year 04 the subsidy was \$255,172. In Fiscal Year 2005 the subsidy is currently estimated to be \$356,375.

**Proposed** – The amount of the annual City Medicare subsidy will be capped at \$250,000. Any savings remaining at the end of the fiscal year will be utilized to offset Medi-Cal reductions, if the State enacts any such reduction.

**Rationale** - Through continued successful efforts, positive revisions to the Medicare Fee Schedule are anticipated resulting in a reduced subsidy requirement.

- **USER FEES – AVERAGE PATIENT CHARGE**

**Current** – The maximum average fee per transport may, upon request of SDMSE, be increased annually in an amount equal to the combined Medical and Transportation CPI, as calculated pursuant to City Manager's Report 00-198 dated September 29, 2000, for the most recent twelve (12) month calendar period. In addition, Section 10.2.3 of the City Agreement and Section 10.6.3 of the Rural Agreement allow for other adjustments to reflect increases in costs beyond the control of SDMSE.

**Proposed** – The Average Patient Charge will be increased annually based on the following: SDMSE shall submit to the EMS Program Manager no later than May 1<sup>st</sup> of each year, its proposed maximum average fee per transport along with all relevant justification/background documentation which supports such request. The EMS Program Manager shall review such request, and either accept, amend, or deny SDMSE's proposal within fourteen (14) days. The EMS Program Manager shall not arbitrarily or capriciously deny SDMSE's request. SDMSE and City agree that the minimum baseline for any increase in the maximum average fee per transport shall be in an amount equal to the combined Medical and Transportation CPI, as calculated pursuant to City Manager's Report 00-198 dated September 29, 2000, for the most recent twelve (12) month calendar period. SDMSE may submit a revised request

subsequent to the adoption of the City's Annual Budget based upon any significant changes that would impact SDMSE's previous proposal.

**Rationale** - The combined Medical and Transportation CPI is a broad, national price indication which does not account for local market production cost increases. In addition, due to San Diego's unique payor mix, increases in transport fees do not equate to like increases in cash collections. The ability to collect cash as it relates to increases in direct costs must be factored into how transport fees are determined. This change helps to ensure the financial stability of the EMS System without affecting taxpayers.

- **FLEET FACILITY PARKING**

**Current** – SDMSE leases space at Montgomery Field to park ambulances in a lighted, fence-enclosed 16,000 square foot area. This space is located directly across from Fire Station 28 which, is used for medical supply stocking. In addition, the north fleet building is used for ambulance maintenance. SDMSE's lease for this site expired on July 31, 2004. The Federal Aviation Association (FAA) recently denied the City's request to allow SDMSE continued use of this property for non-aeronautical use.

**Proposed**

- SDMSE will lease at no cost the City property located at Aero Drive and Interstate 15 for ambulance and employee parking.
- While SDMSE utilizes this property, other potential parking sites will be explored.
- SDMSE is financially responsible for the capital improvements to this site. However, the cost may be offset by a City contribution from FY 05 insurance savings (see insurance, pages 4-6).
- With appropriate notice, SDMSE may terminate the lease at any time. However, an adjustment for the value of any City contribution to the capital improvements would be required if the lease is terminated prior to the end of the contract renewal period.
- Should a new ambulance provider be selected in 2008, all un-depreciated capital improvements at this site will become part of SDMSE's assets, which either the City or the new provider will be required to purchase, at the City's option.

**Rationale** – Due to the FAA's decision, SDMSE is required to vacate the airport property. Utilization of the City property located at Aero Drive and Interstate 15 will allow SDMSE to remain near Storeroom 42-A and the north fleet building.

- **SPECIAL EVENTS**

**Current** – Qualcomm Stadium staff approves the medical coverage for Stadium events.

**Proposed** - Events held at Qualcomm Stadium will have a Medical Plan in accordance with the City's Emergency Medical Services Resource Matrix. The EMS Program will be responsible for review and approval of the Medical Plan.

**Rationale** – Large scale events held at Qualcomm Stadium can have significant impacts to 9-1-1 serviceability. Access, egress, and routes of travel around such events are critical in providing service to not only the event participants, but to the citizens in and around such venues. Utilization of the Medical Matrix will ensure appropriate coverage at events.

- **FLEET MILEAGE**

**Current** – Ambulances shall be removed from primary service by the time they reach 175,000 miles of service, and vehicles shall not remain in the fleet beyond 250,000 mile of service unless an extension of service life is requested by SDMSE and approved by the EMS Program Manager in her discretion. Approved extensions shall be no more than 25,000 miles per request. Vehicles shall not remain in the ALS fleet beyond 250,000 miles of service.

**Proposed** - Ambulances shall be removed from primary service by the time they reach 175,000 miles of service unless an extension of service life is requested by SDMSE and approved by the EMS Program Manager.

- Mileage cap of 250,000 on 9-1-1 vehicles will be removed.
- Vehicles will be evaluated on an individual basis utilizing the revised Ambulance Service Life Extension Evaluation Form every 25,000 miles after reaching 175,000 miles.
- The City reserves the right to inspect any vehicle prior to approval of the extension of service life.

**Rationale** – Currently there is no industry standard to substantiate when a vehicle's service life should be terminated. With the advent of the Turbo Diesel engine and continued improvements in automotive technology, vehicles should be evaluated on an individual performance basis. SDMSE has an aggressive Preventive Maintenance and Safety Inspection Program designed to ensure the safe and effective utilization of its fleet.



- **BASIC LIFE SUPPORT (BLS) COMMUNICATION EQUIPMENT**

**Current** – SDMSE is responsible for the maintenance and repair of BLS communications equipment. The City is responsible for the maintenance of Advanced Life Support (ALS) communications equipment up to a total annual cost of \$353,574.

**Proposed**

- MDC's will be placed on Basic Life Support (BLS) units utilizing a portion of the half-year return of the Fiscal Year 2005 subsidy.
- SDMSE to pay for MDC air time.
- Up to \$20,000 per fiscal year of the \$353,574 currently allocated for 9-1-1 communications equipment repair is authorized for maintenance of BLS communication equipment, including MDC's. The \$20,000 is not an additional allocation but is part of the \$353,574.
- MDC maintenance for ALS units is included in the \$353,574 allocation.

**Rationale** – BLS units play an integral role in the EMS System and are used in the 9-1-1 service delivery from Priority 4 (non-emergency BLS response) participation to multi-patient transport support. MDC integration will enhance SDMSE's ability to dispatch units to Priority 4 and other responses.

- **RESPONSE TIME CLOCK**

**Current** – Response time is calculated from the time the call is verified at the Medical Communications Center, to the moment the first ambulance arrives at the scene to which the ambulance was dispatched and notifies the Medical Communications Center. The "time call is verified" shall be: 1) the moment the Medical Communications Center personnel receive both sufficient location information to know where a response is required and sufficient information to determine the presumptive run priority designation, or 2) thirty (30) seconds after the call is transferred from the initial 9-1-1 answering point, whichever is earlier.

**Proposed** - Ambulance response time clock will start at the time the ambulance is dispatched.

**Rationale** – In 1999, SDMSE instituted its Medical Priority Dispatch System (MPDS). As a result, Fire Department personnel swiftly and accurately access caller/patient conditions via phone triage. In Fiscal Year 2004, the average time it took to triage 82,631 medical aid calls was 1 minute and 15 seconds.

The Fire Communications Center (FCC) is an accredited center through the National Academy of Emergency Medical Dispatch (NAEMD).

Accreditation is given to emergency medical dispatch centers that meet NAEMD's established high standard of excellence for emergency dispatch. The Fire Department is responsible for maintaining accreditation, which includes managing the elapsed time between call receipt and time of dispatch.

Similar to first responder fire responses to Priority 1 (life-threatening emergency), ambulance responses require FCC personnel to fully triage calls before deeming the appropriate level of medical resource response. The first responder response time clock starts when the engine/truck is dispatched. By starting the clock for ambulance responses at the time the ambulance is dispatched, the Fire Chief indicates it will increase the likelihood of sending the appropriate resource to the medical need. This will result in fewer ALS resources being dispatched to BLS level calls. The ultimate goal is to help ensure that more ALS ambulances are available for ALS emergencies, and the appropriate medical resource is assigned to the related level of medical aid needed.

- **MANDATORY 75% RESPONSE TIME FOR BLS**

**Current** – Dispatch Goal of 75% for Basic Life Support (BLS) Ambulances (staffed by two EMT's) to respond to Level Four, Non-Emergency calls seventy-five percent (75%) of the time, with Advanced Life Support (ALS) ambulances (staffed by one Paramedic and one EMT) to respond the other twenty-five (25%) of the time.

BLS response time requirement is 25 minutes.

**Proposed**

- SDMSE will send BLS units to 75% of Priority 4 calls on a Citywide basis.
- Prior to the requirement of 75% of Priority 4 calls being responded to by BLS units, MDC's must be installed and properly functioning on all BLS units.
- Any unit responding to a Priority 4 call will have a 30 minute response time requirement.

**Rationale** – While this has been a goal of the system since the inception of Priority 4, (non-emergency BLS response) this requirement will further ensure that SDMSE continues to match medical resources to medical needs. Furthermore, this will increase the availability of ALS resources to respond to life-threatening emergencies. The City's EMS Medical Director has reviewed and supports the proposed change to the BLS response time requirements.

- **AMBULANCE STAFFING**

**Current** – In accordance with previous agreements, the City’s General Fund provides funding for 4 Medic Rescue Units (MR9, MR24, MR30, and MR33) in addition to 2 Ambulances (M44 and M39).

**Proposed**

- Desired restructure and re-staffing of SDMSE ambulances.
- Substitute a fixed payment to SDMSE in lieu of the current direct payment method, adjusted annually for changes in salaries and fringe benefits.
- Restructure will result in no additional costs to the General Fund
- All savings will be used to enhance SDMSE operations with items such as:
  - Conversion of 4 high volume fire department units to 12 hour cars
  - Convert all first responder companies to Advanced Life Support (truck companies and Rescue)
  - Add Quality Assurance staff, 2 nurses to provide quality assurance (Rural/Metro employees)
  - Add one additional ambulance position (City employee) for field training of new and remedial employees
  - Cost of using rated personnel in place of firefighters in the staffing of fire-based ambulances
  - Add response units and/or unit hours
  - Recruitment and outreach program
- Contingent upon resolution of any labor and management issues.
- If labor and management issues are unresolved, the current funding mechanisms would remain unchanged.

**Rationale** – Changes will improve service levels, overall system quality, ensure all first responders have paramedics and will enhance diversity outreach and recruitment.

**SUMMARY**

San Diego Medical Services Enterprise, L.L.C. is a unique and successful provider of emergency medical services and medical transportation. The unique blend of public and private philosophies, combine to bring out the best of both service delivery types.

The current agreements (Second Amended and Restated Agreements) will remain in effect until June 30, 2005 when the Third Amended and Restated Agreements will go into effect. However, the parties may agree to implement certain contract amendments earlier, subject to City Council approval as necessary.

ALTERNATIVE:

1. Do not accept the recommendations and direct the City Manager to prepare a Request for Proposals (RFP) to replace San Diego Medical Services Enterprise, L.L.C. as the provider of EMS medical transportation.

Failure to renew the existing agreements will result in significant costs to the City prior to the transition to a new provider in the form of payments to purchase equipment and ambulances acquired through capital investments of SDMSE and the costs associated with an RFP process to select a new provider of EMS services.

Respectfully submitted,

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Donna Goldsmith  
EMS Program Manager

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Approved: Richard Mendes  
Deputy City Manager

MENDES/GOLDSMITH/DG